Investor presentation
Q2 2017

17 August 2017

H+H

Introduction

Forward-looking statement

The statements on the future in this presentation, including expected sales and earnings, are associated with risks and uncertainties and may be affected by factors influencing the activities of the Group, e.g. the global economic environment, including interest and exchange rate developments, the raw material situation, production and distribution related issues, breach of contract or unexpected termination of contract, price reductions due to market driven price reductions, launches of competitive products and other unforeseen factors.

In no event shall H+H International A/S be liable for any direct, indirect or consequential damages or any other damages whatsoever resulting from loss of use, data or profits, whether in an action of contract, negligence or other action, arising out of or in connection with the use of information in this presentation.

All presented numbers includes special items unless otherwise stated.

Agenda

- Highlights
- Financial performance
- Outlook and long-term financial targets
- Segments and market development
- Q&A

Highlights

Organic growth

- Revenue in local currency was on par with last year for the second quarter.
- Organic growth of 3% for the first half of 2017.

Investments

- DKK 7 million in the second quarter of 2017 against DKK 6 million last year.
- DKK 30 million for the first half of 2017 against DKK 17 million last year.

EBITDA*

- DKK 74 million in the second quarter against DKK 66 million last year.
- DKK 111 million for the first half of 2017 against DKK 103 million last year.
- EBITDA impacted by adverse currency development.

Grupa Silikaty

- Acquisition of silicate lime business in Poland pending customary approval from the Polish authorities.

** Before special items*

Financial performance

DKK million		Q2 2017	Q2 2016	Q2 Variance	Q1 - Q2 2017	Q1 - Q2 2016	Q1 - Q2 Variance
Revenue	Actual	445	458	(3%)	822	825	(0%)
	Organic	458	458	0%	848	825	3%
Gross margin *		28%	26%	2%	26%	25%	1%
EBITDA	Before special items	74	66	8	111	103	8
	After special items	65	65	0	96	100	(4)
EBIT margin	Before special items	12%	10%	3%	9%	7%	2%
	After special items	10%	9%	1%	7%	7%	0%
Return on invested capital		15%	16%	(1%)	15%	16%	(1%)
Investments		7	6	1	30	17	13
Free cash flow		7	66	(59)	(88)	25	(113)
Net interest-bearing debt	DKK million				477	432	45
	Debt gearing				2.3x	1.9x	
Equity					343	216	127

** adjusted for special items gross margin was 29% for Q2 and 27% for the first half of 2017.*

Outlook and long-term financial targets

Outlook 2017 and long-term financial targets

- No changes to outlook 2017 and the long-term financial targets

DKK million	Outlook	Long-term financial targets
Organic growth	5-7%	
EBITDA	220-240	
Investments	~ 120	
EBIT margin		8-10%
Return on invested capital		Min. 12%

Specific assumptions for outlook for 2017

- Economic growth of around 1-3% in our geographical footprint.
- The commercial and operational excellence programmes continue to deliver improvements.
- Exchange rates, primarily for GBP, EUR PLN and RUB, hold at their mid-August 2017 levels.
- Energy and raw material prices rise only in line than inflation from their mid-August 2017 levels.
- The geopolitical situation does not result in changed market conditions.

Other selected items

Free cash flow

- Free cash flow negatively influenced by increase in working capital, mainly due to building stock in the UK.

Pension obligation

- Defined contribution obligation less deferred tax decreased approx. DKK 24 million.

Credit facility

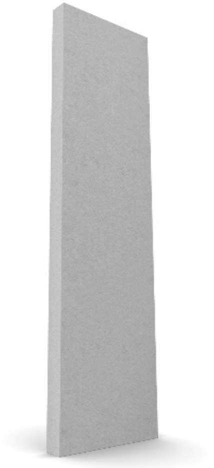
- Credit facility in place until March 2020.

Solvency

- Equity increased due to profit for the period and decrease in the pension obligation.
- Solvency ratio 25%.

Western European segment

DKK million		Q2			Q1 - Q2		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	336	362	(7%)	624	654	(5%)
	Organic	355	362	(2%)	660	654	1%
EBITDA	Before special items	66	65	1	107	106	1
	After special items	62	65	(3)	96	106	(10)
Investments		4	4	0	23	11	12



- Good price development in the UK and Germany.
- Decrease in organic revenue growth, largely due to stock build and phasing of sales in the UK and market decline in Germany.
- Volume driven growth in the Nordic and Benelux markets.
- Slight increase in EBITDA despite adverse exchange rate impact of DKK 4 million in the quarter and DKK 8 million for the first half.
- Higher input costs in the UK due to PFA, and in Germany offset by better capacity utilization.

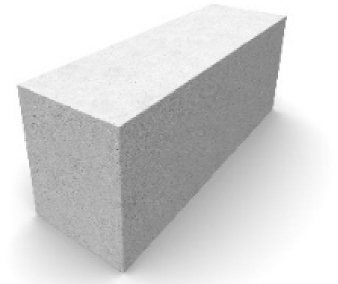
Borough Green factory upgrade

- The Borough Green factory upgrade is running to schedule.
- We are planning the upgrade to be completed in the first half of 2018.
- Special items of approximately DKK 25 million cost are expected to be incurred in 2017 as a result of the Borough Green factory upgrade and resulting need to import products from Poland.

- The increased transportation costs are expensed in production costs at the point of sale and treated as a special item.
- Special items related to import of DKK 4.7 million in the second quarter and DKK 10.3 million for the first half of 2017.

Eastern European segment

DKK million		Q2			Q1 - Q2		
		2017	2016	Variance	2017	2016	Variance
Revenue	Actual	109	96	14%	198	171	16%
	Organic	103	96	7%	187	171	10%
EBITDA	Before special items	18	10	8	24	11	13
	After special items	14	9	5	20	8	12
Investments		3	2	1	7	6	1



- Organic growth due to positive volume and price development in Poland where the market conditions are favourable.
- Due to export to the UK and the booming Polish market, local market sales in Poland is limited by production output.
- Despite significant lower sales volumes in Russia we have been able to increase earnings against last year due to firm execution of price increases.
- Stocks are high in Russia and there are no indications of a market recovery in the short term.

H+H acquires silicate lime business in Poland

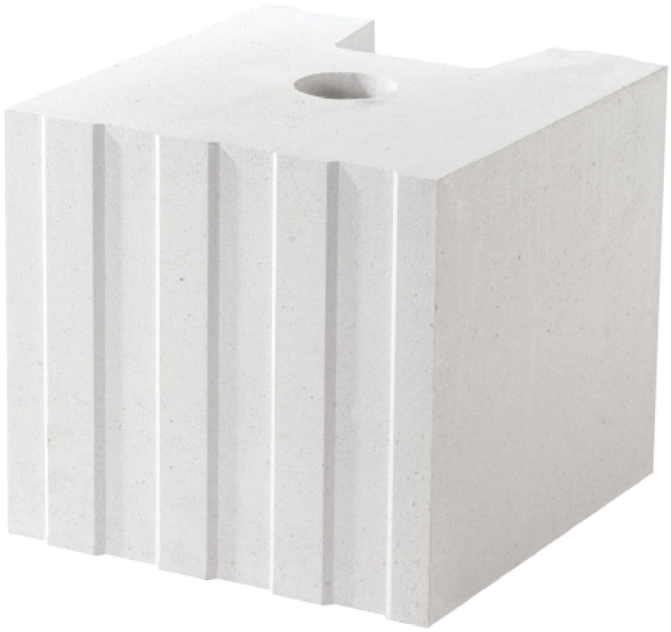
- H+H Polska buys Grupa Silikaty from Grupa Ożarów.
- Purchase price approx. DKK 64 million.
- Payment schedule agreed:
  - On closing – approx. DKK 14 million
  - January 2019 – approx. DKK 25 million
  - January 2020 – approx. DKK 25 million

Facts about Grupa Silikaty

- Second largest producer of CSU in Poland with seven plants.
- Revenue in 2016 of around DKK 157 million.
- EBITDA in 2016 was around DKK 11 million.
- Market share of around 30% in the calcium-silicate market.
- Around 300 employees.

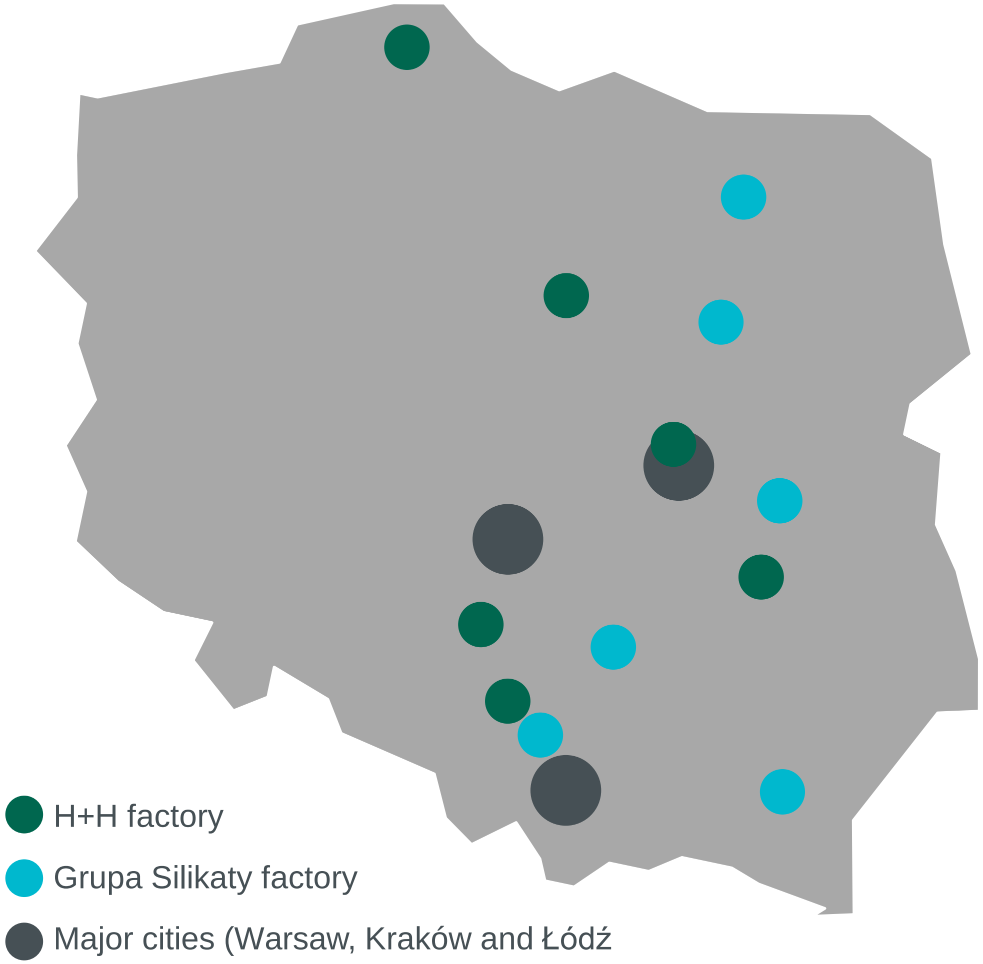
Product

- Calcium silicate units (CSU) is a building block / element made of:
  - 90% sand
  - 7% lime
  - 3% water
- The blocks are pressed together and then autoclaved in 8 hours at around 200 °C.
- Sound insulation and the load bearing ability are the predominant attributes of the product.
- The product is more heavy than aircrete (AAC), i.e. distribution range from the factories is shorter.



Market

- Installed capacity in Poland is approx. 1,800 tm3 distributed over 30 factories.
- Most factories running close to capacity ceiling.
- Grupa Silikaty has seven factories.
- Main competitors are:
  - Xella (7 factories)
  - SILPRO (1 factory)
  - Others (15 factories)
- Predominantly pull sales.



Rationale

- CSU enjoys a strong position in residential high-rise.
- Strengthening of our overall position and brand in the Polish wall building industry.
- Synergies predominantly from cross selling.
- H+H aim at maximizing output to take advantage of the current market situation.
- If H+H's cross selling approach is successful H+H can target similar product combinations in other countries.

Q & A

Thank you

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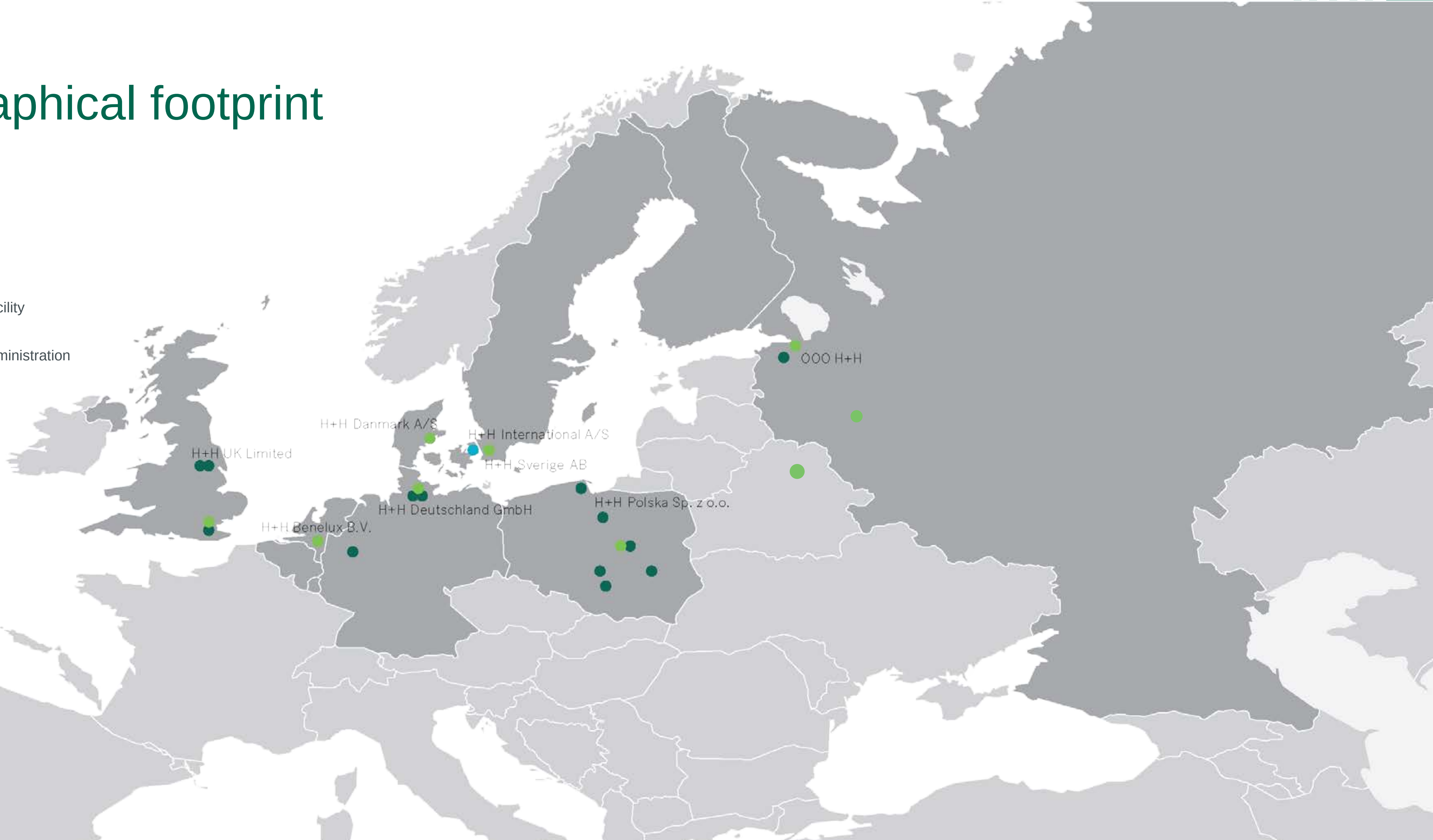
Appendices

Geographical footprint



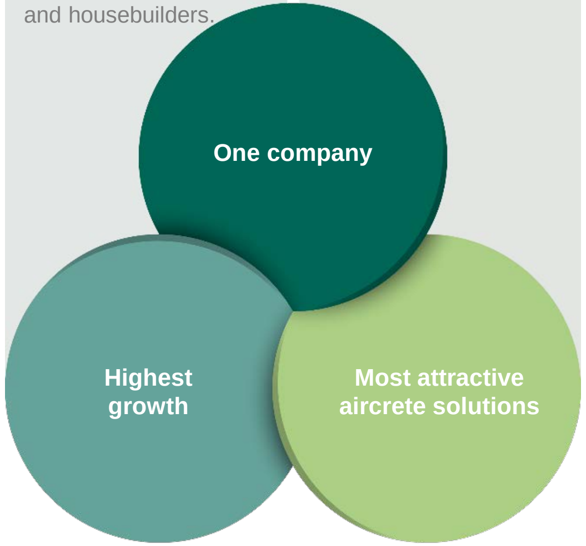
Strategy and external growth drivers

MISSION

To supply value-added innovative aircrete solutions to buildings through profitable partnerships with distributors, contractors and housebuilders.

VISION

To be number one aircrete supplier in our geographical footprint.



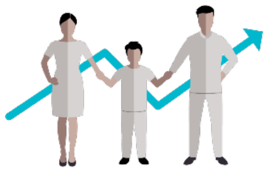
- GDP growth
- Inflation
- Governmental stimuli of housebuilding

MACROECONOMIC DEVELOPMENT

- Capacity utilisation in the aircrete industry
- Capacity utilisation in the building materials industry
- High entry barriers

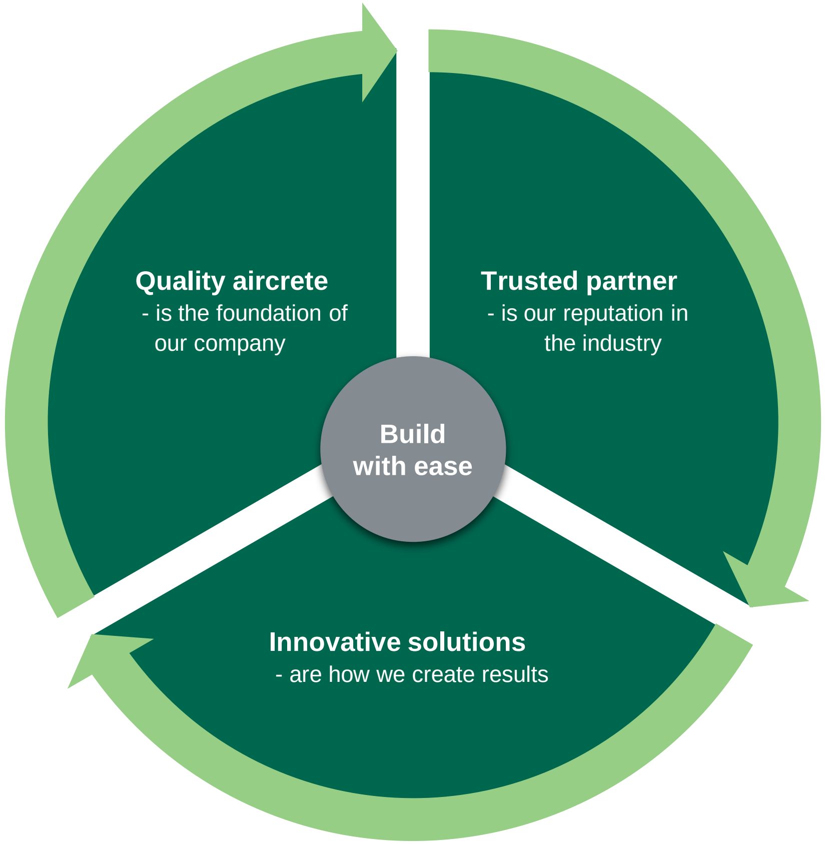
CAPACITY UTILISATION

- Urbanisation
- Housing stock
- Demand for high-rise/low-rise

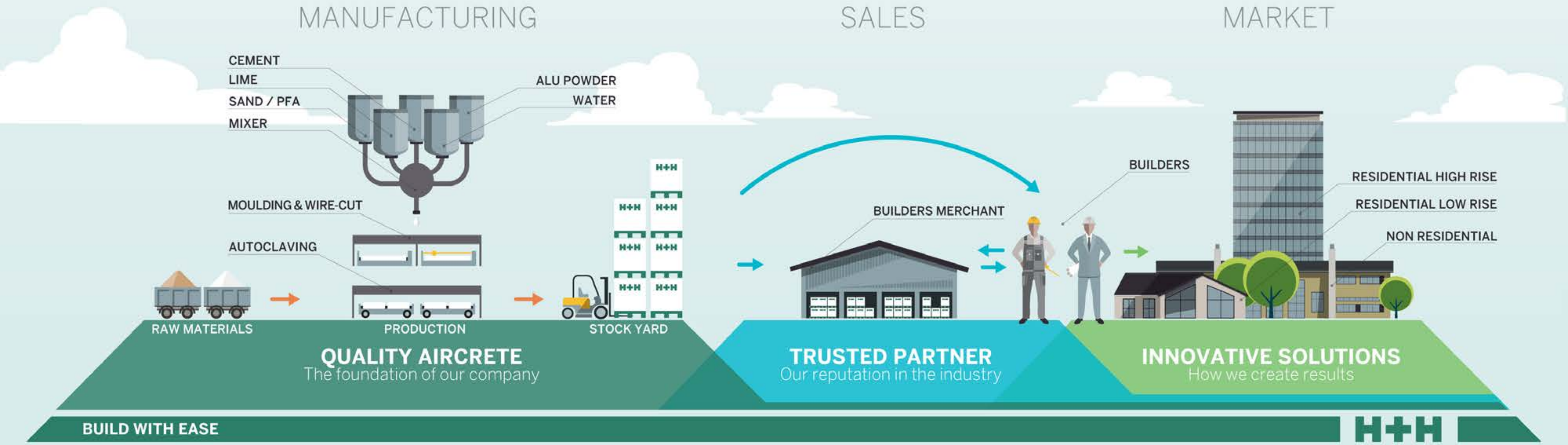


DEMOGRAPHY

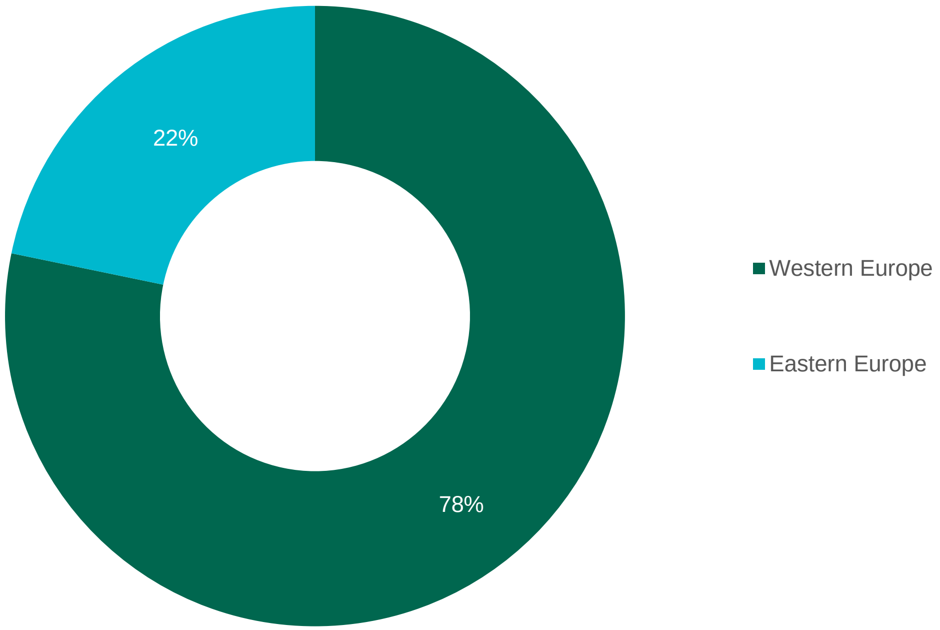
Commercial approach

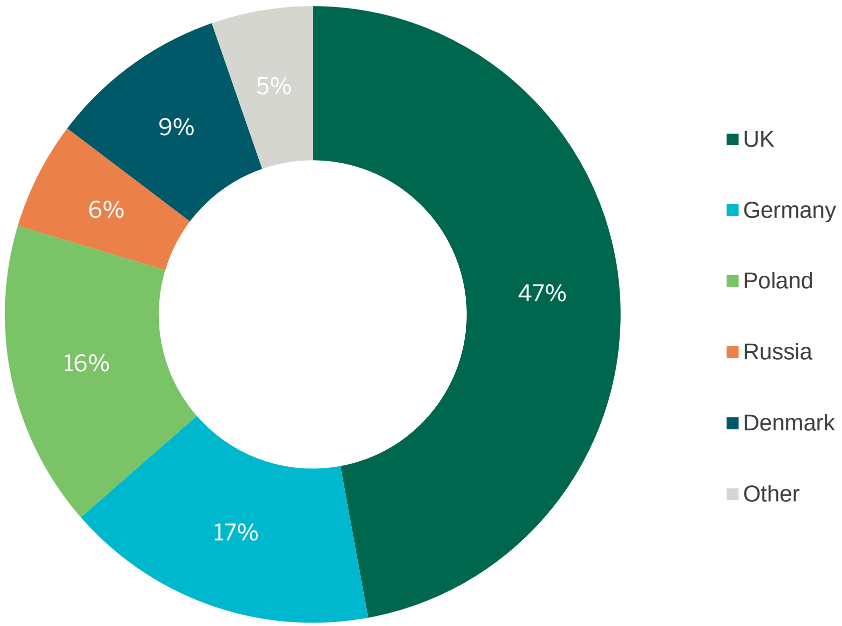


Business model

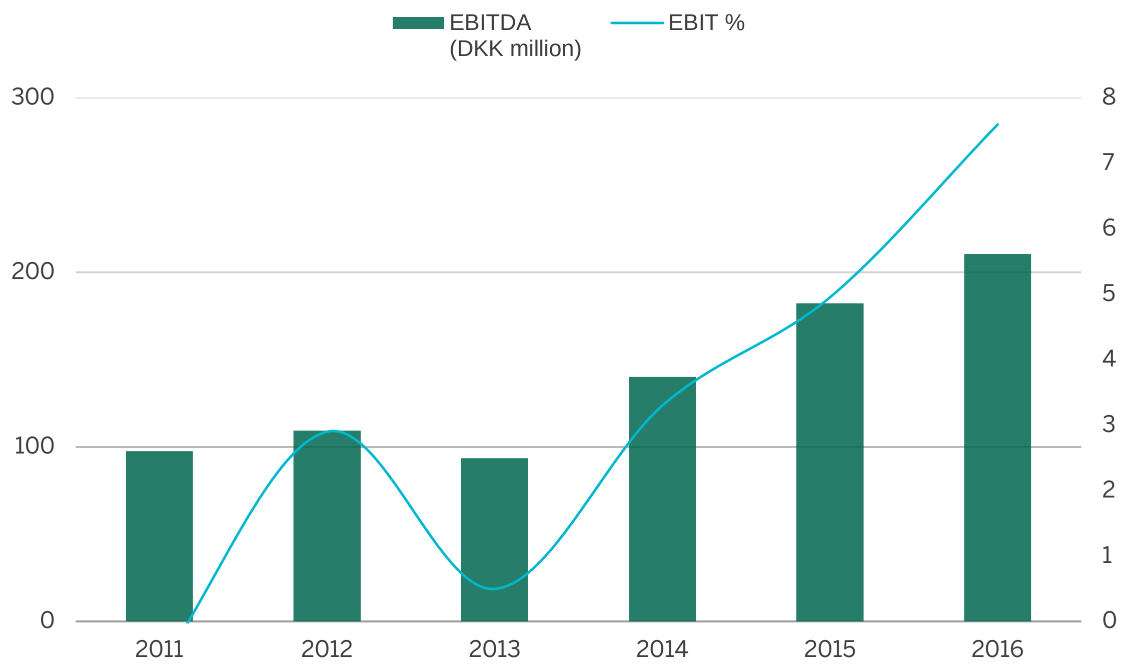


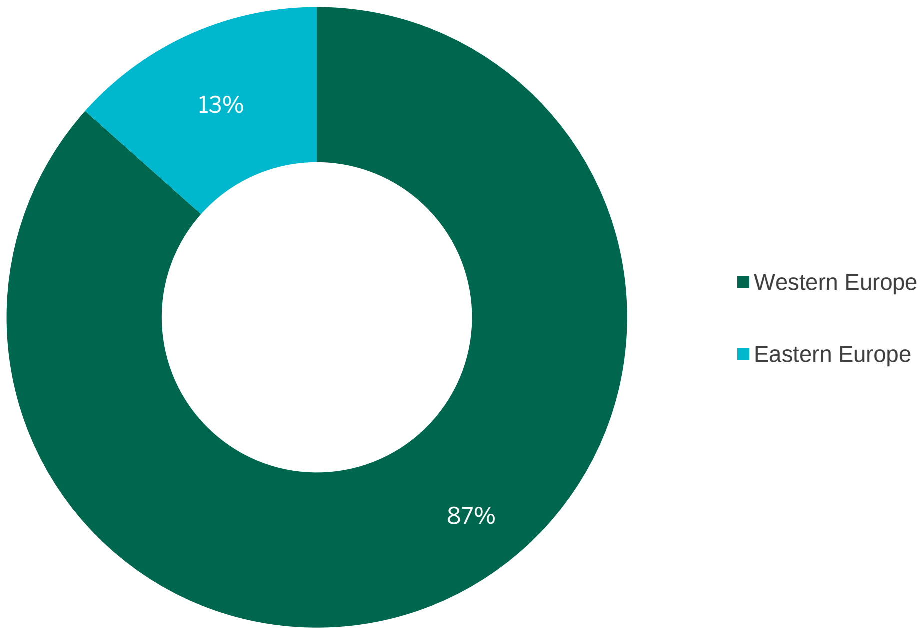
Revenue allocation 2016



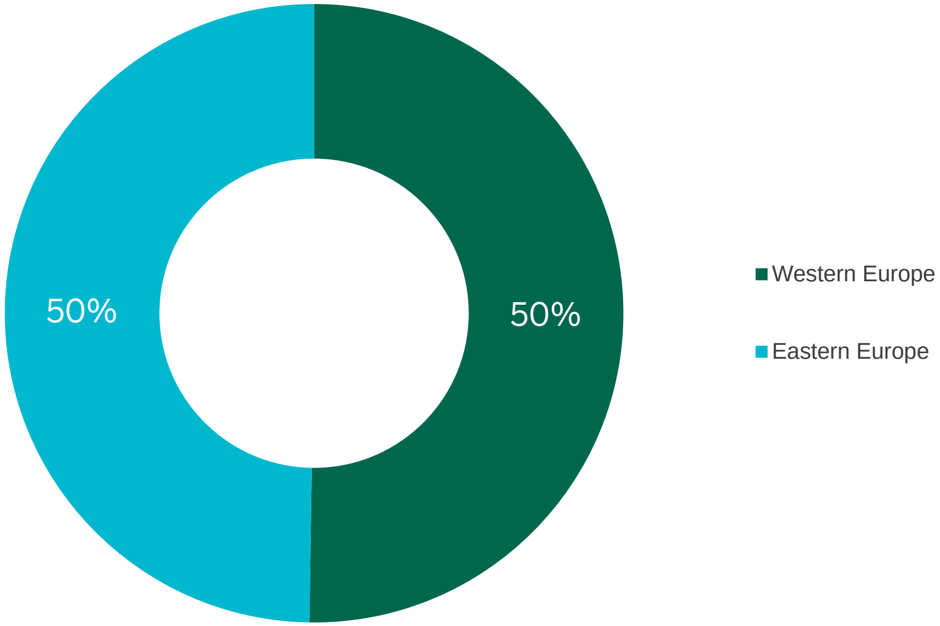


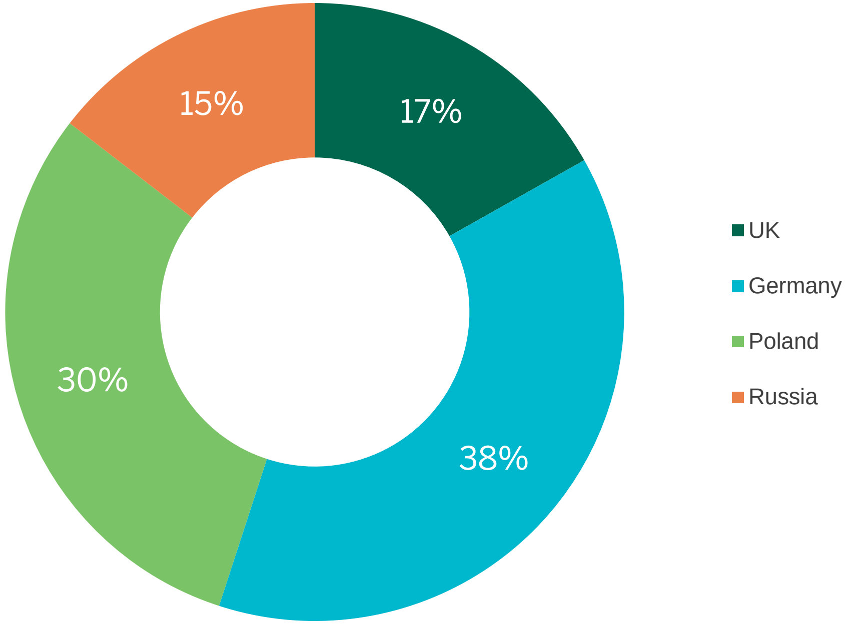
EBITDA and EBIT margin development and EBITDA allocation 2016





Non-current asset allocation as of 31 December 2016





Net interest-bearing debt development and allocation as of 31 December 2016